

## Board of County Commissioners Workshop Agenda

Date of Meeting: February 22, 2005

Date Submitted: February 16, 2005

To: Honorable Chairman and Members of the Board

From: Parvez Alam, County Administrator *PA*  
Lillian Bennett, Human Resources Director *LWB*

Subject: Board Workshop on County Employee Health Insurance Options

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### Statement of Issue:

At the request of the Board, this workshop is scheduled to discuss County Employee Health Insurance options; present the results of an Employee Health Insurance Survey (Attachment #1); and request Board approval to issue a Request for Proposals (RFP) for County Employee Health Insurance (Attachment #2). Staff is also seeking Board approval to negotiate an agreement under State Contract #973-500-03-1, with a recognized health benefits consultant, to provide consulting services in the review, analysis and evaluation of the County's current health plan, draft RFP and health plan proposals (Attachment #3).

### Background:

At the September 14 and 21, 2004 meetings, the Board approved the annual renewal of health insurance coverage for the 2005 plan year with Capital Health Plan (CHP) and Vista (Attachment #4). United Health Care (United), a national health care insurer, new in the Leon County service area, submitted a request to be considered as a third provider of health insurance coverage for Leon County, in addition to CHP and Vista.

The Board approved staff recommendation to continue with CHP and Vista for the 2005 plan year and to schedule a Board workshop in early 2005 to discuss employee health insurance options prior to the 2006 renewal period. In addition, at the 2005 Board retreat, the Board discussed employee health insurance and requested the Chairman to invite the City of Tallahassee and the Leon County School Board to participate in a group health insurance program with Leon County.

As requested by the Board, the Chairman submitted a request to the City of Tallahassee and the Leon County School Board to determine their interest in participating in a group health insurance program (Attachment #5). On January 2005, a response was received from the Leon County School Board indicating a willingness to discuss the issue (Attachment #6). In addition, as a result of discussions between the Chairman and the Mayor at the January 2005 Mayor/Chair meeting, staff was instructed to develop a staff committee consisting of County, City and School Board representatives to look into the feasibility of establishing an Employee Group Health Insurance Consortium.

Workshop Agenda: Board Workshop on County Employee Health Insurance Options  
February 22, 2005  
Page 2

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**Analysis:**

Leon County currently contracts with CHP and Vista (formerly Health Plan Southeast) for the provision of medical services for its employees. Both CHP and Vista currently provide Health Maintenance Organization (HMO) benefit plans. A history of CHP and Vista is shown in Attachment #7. United is a new provider in the Leon County service area; however, they are a national leader in the consumer health services market. United provides an array of services and is very interested in becoming a health insurance provider in Leon County. A history of United is shown in Attachment #8.

This workshop will address the following issues related to County Employee Health Insurance:

- Results of Health Insurance Survey
- Analysis of Physician and Hospital Network
- Five-Year History of County Medical Costs
- Request for Proposals and Insurance Options
  - Fully Insured HMO Option
  - Fully Insured POS Option
  - Fully Insured PPO Option
- Feasibility of Group Health Insurance Consortium (County, City and School Board)
- Opt-Out/Spouse Program Proposal

**Health Insurance Survey Results**

During open enrollment, in November 2004, Leon County Human Resources conducted a County Health Insurance Survey. The purpose of the survey was to gather input from employees on the quality, accessibility and cost of current health insurance services. The participants in the survey included employees from the Board and Constitutional Offices. A total of six hundred sixty-six (666) employees completed the survey from a total enrollment of 1,414 or approximately 47%. Generally, County employees are very satisfied with the quality of service, accessibility and cost of services provided by CHP and Vista. Employees would like to remain with their present physician network and would prefer an increase in cost over a change in medical providers. The complete results of the health insurance survey are shown in Attachment #1.

While County employees are generally satisfied with the current services, it should be noted that employees are currently only responsible for 7.5% of the total cost of their health insurance. Under family coverage, this equates to about \$78 per month/per employee. Leon County pays the remaining 92.5%. Under family coverage, Leon County pays more than \$1,000 per month/per employee. As a result, employees have not been significantly impacted by the double-digit increases Leon County has experienced in the cost of medical services. In the recent health insurance survey, when employees were asked the top two things they liked most about their current insurance services, the response was "low cost" and "everything".

Workshop Agenda: Board Workshop on County Employee Health Insurance Options  
February 22, 2005  
Page 3

**Physician and Hospital Network Analysis**

In order to determine the potential impact of any future decision that may be made by the Board in regards to the selection of a new insurance carrier, staff has performed a preliminary analysis of the current primary care physician and hospital provider network for CHP, VISTA and United. The analysis includes a breakdown of the number of primary care physicians available at each insurance carrier (Table #1) and the number of employees and dependents impacted (Table #2).

As reflected in Table #1 below, CHP has a total of 112 primary care physicians. Of that amount, a total of thirty-three (33) physicians are staff model physicians; (25) employed by CHP at their Centerville Road or Governor's Square locations or are independent private physicians (8) that are exclusive to the CHP network. This represents approximately 30% of the total CHP primary care network. The remaining 70% of physicians in the CHP network are also available in either the Vista or United networks.

Vista has a total of 105 primary care physicians. Of that amount, a total of twenty-five (25) physicians are available only in the Vista network. This represents approximately 24% of the Vista primary care network. The remaining physicians in the Vista Network, approximately 76%, are also available in the CHP or United network.

United Health Care has a total of seventy-seven (77) primary care physicians in its newly established Leon County network. Approximately thirty-nine (39) or 51% of these physicians are currently going through the credentialing process. The remaining 42% of physicians are also available in the CHP or Vista network. United currently has an agreement for services with Tallahassee Memorial Hospital, however, at present, United has not finalized an agreement with Capital Regional Medical Center. United is continuing to develop its network within the Leon County service area.

Table #1  
Physician Network Analysis

| # Physicians participating in each Network  | Capital Health Plan |     | Vista      |     | United Health Care |     |
|---|---------------------|-----|------------|-----|--------------------|-----|
| <i>Total Primary Care Physicians</i>  | <i>112</i>          |     | <i>105</i> |     | <i>77</i>          |     |
| CHP staff model physicians in CHP network only and Independent Physicians in CHP network only | 33                  | 30% | 0          | 0%  | 0                  | 0%  |
| Independent Physicians in CHP and Vista network   | 50                  | 45% | 50         | 48% | 0                  | 0%  |
| Independent Physicians in CHP, Vista and United networks                                      | 26                  | 23% | 26         | 25% | 26                 | 34% |
| Independent Physicians in CHP and United network only   | 3                   | 2%  | 0          | 0%  | 3                  | 4%  |
| Independent Physicians Vista and United network only  | 0                   | 0%  | 4          | 4%  | 4                  | 5%  |
| Independent Physicians in Vista network only  | 0                   | 0%  | 25         | 24% | 0                  | 0%  |
| Independent Physicians in United network only   | 0                   | 0%  | 0          | 0%  | 5                  | 6%  |
| Physicians undergoing credentialing in United network   | 0                   | 0%  | 0          | 0%  | 39                 | 51% |
| Local Hospital Network (TMH and Capital Regional)   | 2                   |     | 2          |     | 1 (TMH Only)       |     |

Workshop Agenda: Board Workshop on County Employee Health Insurance Options  
February 22, 2005  
Page 4

Table #2 below provides an impact analysis of the number of employees/dependents required to select new primary care physicians if the County made a change in health plan providers. Approximately 85% of Leon County's employees, both Board and Constitutional, are enrolled with CHP. If the County made a major change from CHP to a new health plan provider, a total of 1,630 employees and their dependents, or approximately 51% of the total CHP enrollment would be impacted. These employees are currently enrolled with CHP staff model physicians or independent physicians exclusive to the CHP network. As such, these employees would be required to select new primary care physicians. Approximately 49% of remaining employees in the CHP network can remain with physicians that are also available in either the Vista or United networks. A change from CHP as a health plan provider would create a significant employee impact.

If a change were made from Vista to a new health plan provider, a total of 48 employees and their dependents would be impacted. These employees are currently enrolled with physicians exclusive to the Vista network. These employees represent approximately 9% of the total County enrollment in Vista. Approximately 91% of employees in the Vista network should be able to remain with physicians that are also available in either the CHP or United networks. A change from Vista as a health plan provider would not create a significant employee impact.

Table #2  
Employee/Dependent Impact Analysis  
(Includes employees, retirees and COBRA participants)

| # Employees/Dependents Impacted by Potential Change in Provider | Capital Health Plan     |                          |                        |     | Vista                   |                          |                        |     |
|---|-------------------------|--------------------------|------------------------|-----|-------------------------|--------------------------|------------------------|-----|
|   | # of Employees Impacted | # of Dependents Impacted | Total Members Impacted | %   | # of Employees Impacted | # of Dependents Impacted | Total Members Impacted | %   |
| CHP staff model and independent physicians in CHP network only  | 782                     | 848                      | 1630                   | 51% | 0                       | 0                        | 0                      | 0%  |
| Independent Physicians in CHP and United networks               | 34                      | 33                       | 67                     | 2%  | 0                       | 0                        | 0                      | 0%  |
| Independent Physicians in CHP and Vista networks                | 406                     | 610                      | 1016                   | 31% | 113                     | 194                      | 307                    | 56% |
| Independent Physicians in Vista and United networks             | 0                       | 0                        | 0                      | 0%  | 27                      | 19                       | 46                     | 8%  |
| Independent Physicians in CHP, Vista and United networks        | 203                     | 295                      | 498                    | 16% | 81                      | 67                       | 148                    | 27% |
| Independent Physicians in Vista network only                    | 0                       | 0                        | 0                      | 0%  | 28                      | 20                       | 48                     | 9%  |
| Total Employee /Dependents Impacted                             | 1425                    | 1786                     | 3211                   |     | 249                     | 300                      | 549                    |     |

If any decision to change insurance providers is made, staff will need to move very quickly in planning for the change in the administration of the County's health insurance plan and conduct employee information sessions to notify employees of the impact of potential changes in physician network.

Workshop Agenda: Board Workshop on County Employee Health Insurance Options  
February 22, 2005  
Page 5

**Five Year History of Medical Costs**

Throughout the country, health care costs are continuing to rise at double digit rates. Leon County is no exception. Over the past five (5) years, Leon County's health insurance rates have increased annually an average of 15% for CHP and 17% for Vista, as shown in Table #3 as follows:

Table #3  
Five (5) Year History of Premium Rates for CHP and Vista

| Year/Company     | Employee | Employee + 1 | Family     | Rate Increase Percentage |
|------------------|----------|--------------|------------|--------------------------|
| <b>Year 2000</b> |          |              |            |                          |
| CHP              | \$197.70 | \$409.20     | \$523.90   |                          |
| VISTA            | \$185.19 | \$378.71     | \$508.71   |                          |
| <b>Year 2001</b> |          |              |            |                          |
| CHP              | \$222.80 | \$461.10     | \$590.30   | 13%                      |
| VISTA            | \$199.94 | \$408.87     | \$549.23   | 8%                       |
| <b>Year 2002</b> |          |              |            |                          |
| CHP              | \$256.60 | \$531.10     | \$679.90   | 15%                      |
| VISTA            | \$238.92 | \$488.59     | \$656.31   | 19%                      |
| <b>Year 2003</b> |          |              |            |                          |
| CHP              | \$300.10 | \$621.20     | \$795.30   | 17%                      |
| VISTA            | \$291.71 | \$603.78     | \$772.92   | 22%                      |
| <b>Year 2004</b> |          |              |            |                          |
| CHP              | \$342.00 | \$708.00     | \$906.40   | 14%                      |
| VISTA            | \$367.96 | \$761.61     | \$974.96   | 26%                      |
| <b>Year 2005</b> |          |              |            |                          |
| CHP              | \$392.50 | \$812.50     | \$1,040.20 | 15%                      |
| VISTA            | \$407.64 | \$843.74     | \$1,080.10 | 11%                      |

In terms of actual dollars, County medical cost has risen from a total of \$6.2 million in FY 1999 to an estimated \$13.6 million in FY 2005. This represents an increase of more than \$7.4 million over a six year period, or approximately 119%. Table #4 provides a summary of the total dollar cost of health insurance over the past six years:

Table #4  
Leon County Actual Health Insurance Cost (FY 1999 - 2005)  
(Includes Employees, Retirees and Cobra Participants)

| Fiscal year                                     | CHP                | % Increase  | Vista            | % Increase | Total              | Total % Increase |
|---|--------------------|-------------|------------------|------------|--------------------|------------------|
| 1999  | \$4,632,663        |             | \$1,571,075      |            | \$6,203,738        |                  |
| 2000 *  | \$5,269,542        | 14%         | \$1,303,316      | (17%)      | \$6,572,858        | 6%               |
| 2001*   | \$6,220,952        | 18%         | \$1,245,508      | (4%)       | \$7,466,461        | 14%              |
| 2002  | \$7,158,011        | 15%         | \$1,419,366      | 14%        | \$8,577,378        | 15%              |
| 2003  | \$8,302,887        | 16%         | \$1,543,216      | 9%         | \$9,846,103        | 15%              |
| 2004**  | \$10,003,520       | 20%         | \$1,814,078      | 18%        | \$11,817,598       | 20%              |
| 2005***   | \$11,665,822       | 17%         | \$1,929,720      | 6%         | \$13,595,542       | 15%              |
| <b>Total Dollar &amp; % increase since 1999</b> | <b>\$7,033,159</b> | <b>152%</b> | <b>\$358,645</b> | <b>23%</b> | <b>\$7,391,804</b> | <b>119%</b>      |

\* 2000 and 2001 reflected a significant decrease in enrollment for Vista

\*\*2004 establishment of EMS Division increased enrollment

\*\*\* 2005 is an estimate of the health insurance cost based on January 2005 enrollment numbers.

Workshop Agenda: Board Workshop on County Employee Health Insurance Options  
February 22, 2005  
Page 6

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Locally, government agencies have experienced similar health care cost trends. Increases in premiums have ranged from 10% to 19% since year 2000. Attachment #9 shows a comparison of the State of Florida, City of Tallahassee and Leon County School Board monthly premium amounts from 2000- 2004. Increases in premium rates for retirees for family coverage, when both spouses have Medicare, have ranged from 3% to 20% for CHP. A summary of rates for retirees is also shown in Attachment # 9.

**Request for Proposals**

Due to limited competition within the local market area, historically, Leon County has entered into informal negotiations with two health care providers, CHP and Vista. This has resulted in minimal competition and double-digit increases during the annual renewal process. With the increased possibility of competition and the arrival of United Health Care into the local service area, staff is requesting Board approval to enter into a competitive bid process (RFP) for the County's health insurance. Section 112.08, Florida Statutes - "Group insurance for public officers, employees, and certain volunteers; physical examinations" states that ".....Before entering any contract for insurance, the local governmental unit shall advertise for competitive bids; and such contract shall be let upon the basis of such bids" (Attachment #10). Accordingly, a draft RFP for Health Insurance Services is included as Attachment #2.

The RFP requests proposals on the following insurance plan options:

- Fully Insured Health Maintenance Organization (HMO)
- Fully Insured Point of Service Plan (POS)
- Fully Insured Preferred Provider Organization (PPO)

Through the RFP, respondents will be asked to respond to one or more of the insurance plan options noted above or a combination of plans, such as an HMO/PPO dual option. Respondents will also be asked to respond as a single provider of health services and as one of two providers of health services for Leon County. Staff will also request multi-year rate guarantees and performance standards and guarantees for each proposal as well as periodic reporting requirements. A summary and comparison of the differences between the fully insured managed care plans (HMO, POS and PPO) is included in Attachment #11.

Staff request Board approval to issue the RFP for Health insurance and to negotiate an agreement with a health benefits consultant under State Contract #973-500-03-01 (Benefits Consulting Services and Actuarial Services) in an amount not to exceed \$40,000. The authorized consultants under State Contract are Mercer Human Resource Consulting, Milliman, Inc. and Palmer and Cay Consulting of FL. The proposed consultant will analyze the County's current health benefits, help develop and assess alternative plan designs, compare and contrast these with plans available in the Leon County community and recommend the best benefits plan for Leon County. The consultant will also review the draft RFP and provide an evaluation of the RFP proposals submitted and present recommendations for a health insurance provider.

Other options the Board may consider in future years is to consider the feasibility a Self-Insurance Health Plan and Health Savings Accounts with a High Deductible Health Plan. A staff summary on Self-Funding and Health Savings Accounts and an article which further explains self funding of employee health benefits is included as Attachment #12.

Workshop Agenda: Board Workshop on County Employee Health Insurance Options  
February 22, 2005  
Page 7

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In accordance with Florida Statutes 1112.08, several Florida counties have issued RFP's for health insurance coverage. In addition, several counties have elected to self-insure their health plans including Brevard, Manatee, Pinellas, Sarasota, St. Johns, St. Lucie and Volusia Counties (Attachment #13). The State of Florida is currently reviewing the possibility of HSA's in the 2005 Legislative Appropriations Bill (Attachment #14). The bill does propose that the State match the employee HSA contribution up to a maximum of \$1,000.

**Feasibility of Group Health Insurance Consortium**

As directed by the Board, on February 11, 2005, staff met with staff from the City of Tallahassee and the Leon County School Board to discuss the feasibility of establishing a Group Health Insurance Consortium. The City of Tallahassee currently contracts with CHP as their sole insurance provider and offers employees an HMO/PPO dual option. In addition, the City of Tallahassee maintains an on-going agreement with a consultant to thoroughly review their health insurance plan design, make recommendations for improvement and assist in the annual negotiations of renewal rates. The Leon County School Board currently contracts with CHP and Vista for health insurance. Similar to Leon County, the School Board only offers an HMO option to its employees. Unlike Leon County, the City and the School Board have shifted more of the costs for health insurance to their employees. Currently, the School Board is participating in a feasibility study with the Panhandle Area Educational Consortium (P.A.E.C) to make recommendations on what strategies it can take to improve its health insurance plan. The results of this study are to be completed in April 2005.

Both the City and the School Board staff have been asked by Leon County staff to consider participation in the RFP process with Leon County. Both entities will discuss the matter with their respective Administrators and notify Leon County prior to the workshop on February 22, 2005. Should the City or the School Board express a desire to participate, staff request a delay in the issuance of the RFP to allow each entity an opportunity to review the RFP, provide input and provide data required in the RFP relative to their respective agencies. If the City and School Board decide not to participate in the RFP, staff request Board approval to move forward in the issuance of the draft RFP in accordance with Florida Statutes 112.08. In the short term, if any decision is made to change insurance providers, staff will need to move quickly in planning for the new administration of health insurance plan and notifying employees of potential changes in physician network. In the long term, if the School Board and City express an interest, staff can still continue to meet with City and School Board representatives to determine the feasibility of a Group Health Consortium and what future steps should be taken.

**Opt-Out/Spouse Program Proposal**

Leon County currently provides an Opt-out Program for employees. Essentially, the Opt-out program allows those employees who provide proof of medical insurance outside of Leon County government (ex. Board, Clerk, Sheriff, Tax Collector, Property Appraiser or Supervisor of Elections) the opportunity to receive a payment of \$300 per month or \$3600 annually in lieu of participating in the County's medical plan. Historically, this has resulted in significant savings to the County, since the County pays for 92.5% of employee medical coverage.

Workshop Agenda: Board Workshop on County Employee Health Insurance Options  
February 22, 2005  
Page 8

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For example, under a CHP family coverage plan, the net savings to the County of an employee electing to opt-out of participation in the County's medical plan, amounts to approximately \$7,946 annually per employee (\$11,546 (County Cost) - \$3,600 (Opt-out) = \$7,946 County net savings). Accordingly, the Opt-out payment has not been provided to spouses who both work for Leon County government, since both employees are active participants in the County's medical plan. The County assumes all the liability, risk, medical claims experience and rate increases associated with these employees since one of the spouses is listed as a dependent under the County's medical plan.

Attached is a February 14, 2005, letter from the Clerk of Courts regarding additional health care benefits to employees when either spouse work for the same or separate Board or Constitutional Office (Attachment #15). The Clerk is requesting Board consideration of two proposals related to spousal employee medical insurance payments and staff presents a third as follows:

- a. Provide an additional opt-out benefit of \$300 per month or \$3600 per year to employees where both spouses work for the Board or any Constitutional Office. Currently, these employees are not eligible for opt-out since both spouses are fully covered under the County's medical insurance plan. The County assumes all the liability, risk, medical claims experience and rate increases associated with each employee. In reviewing the practices of the City, School Board and State of Florida in this area, staff determined that the City provides a total of \$25 a month or \$300 annually for opt-out for one spouse when both are employees through their flexible benefits program. The City provides this benefit without regard to whether or not the spouses has coverage from the City or another public/private employer. The School Board and the State of Florida do not currently provide opt-out to their employees. Staff does not support this proposal and request Board approval to maintain the original intent and cost savings associated with the opt-out program by requiring employees to provide proof of insurance coverage outside of Leon County Board or Constitutional Office.
- b. Provide full payment of medical insurance costs when both spouses work for any Board or Constitutional Office. For Board employees, the County currently pays 100% of the cost for medical insurance for married couples that are both employed under the Board. However, some Constitutional Offices are not currently providing this benefit to their employees. In addition, employees whose spouses both work for separate Leon County government agencies are not provided the full benefit of payment of all medical insurance costs. Staff supports this proposal and recommends that all of the Constitutional Offices provide full payment of medical insurance to employees when both spouses are employed with Leon County. Staff will work with the Clerk's Office to develop procedures for the implementation of this proposal.
- c. Equally distribute between agencies, the total medical insurance costs of employees when both spouses work for any separate Leon County Board or Constitutional Office (ex. Clerk and Board). Staff supports this proposal and the Clerks Office can administer the process for the equitable distribution of cost among Leon County agencies since it currently coordinates medical insurance payments with the Constitutional Offices.



Workshop Agenda: Board Workshop on County Employee Health Insurance Options  
 February 22, 2005  
 Page 9

**Options:**

1. Direct staff to issue Request for Proposal on County Employee Health Insurance to include proposals on the following :
  - a. Fully Insured HMO Plan
  - b. Fully Insured POS Plan
  - c. Fully Insured PPO Plan.
2. Direct staff to negotiate an agreement under State Contract #973-500-03-01, Benefits Consulting and Actuarial Services with one of the three vendors listed under the State Contract to provide health benefits consulting in an amount not to exceed \$40,000 from general fund contingency and authorize the chairman to execute.
3. Contingent upon the pending response from the City and the School Board, approve participation of the City and the School Board in the RFP for Health Insurance Services.
4. Approve one or more of the following Opt-Out/Spouse Program for Board and Constitutional Offices.
  - a. Provide an additional Opt Out Benefit of \$300 per month or \$3,600 annually to employees where both spouses work for any Board or Constitutional Office
  - b. Provide full payment of medical insurance cost when both spouses work for any Board or Constitutional Office
  - c. Equally distribute between agencies the total medical insurance cost of employees when both spouses work for any separate Board or Constitutional Office
5. Board Direction

**Recommendation:**

Options #1, #2, #3, #4b and #4c.

**Attachments:**

1. County Employee Health Insurance Survey
2. Draft RFP for County Health Insurance
3. State of Florida Contract for Consulting Services
4. September 21, 2004 Agenda Item on 2005 Renewal
5. Letter to City of Tallahassee and Leon County School Board dated January 5, 2005
6. Letter from Leon County School Board dated January 19, 2005
7. History of CHP and Vista
8. History of United Health Care
9. Comparison of Premium Rates-County, State, City and School Board
10. Copy of Florida Statutes 112.08
11. Summary and Comparison of Fully Insured HMO, POS and PPO Plans
12. Article by Performax on Self-Funding Employee Health Benefits
13. County Comparisons RFP's issued and Self-Insured Health Plans
14. State of Florida Legislative Bill on HSA's
15. Opt-Out/Spouse proposal from Clerk's Office